

Message Text

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62

ACTION EA-09

INFO OCT-01 ISO-00 ONY-00 CCO-00 /010 W

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O 090234Z AUG 76

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 8745

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EA ONLY

E.O. 11652: N/A

TAGS: EGEN, KS

SUBJECT: AMERICAN MOTORS IN KOREA

REF: STATE 193007

1. BACKGROUND ON AMC STATUS IS CONTAINED IN MEMCONS SENT
EA/K DATED APRIL 7, JUNE 15, 16, 18, JULY 5, AND 14, 1976.

2. AMC LOCAL REPRESENTATIVE PHELAN HAS INFORMED EMBOFF AFTER
RETURNING FROM HOME LEAVE AND CONSULTATIONS IN DETROIT THAT
AMERICAN MOTORS IS NOW PREPARED TO SELL ITS STOCK IN SHINJIN
JEEP FOR ABOUT \$2 MILLION AND TO NEGOTIATE A LICENSING
AGREEMENT FOR THE AMC JEEP WITH KIA MOTORS. ONE DEAL WOULD
BE DEPENDENT ON THE OTHER. IT APPEARS FROM CONVERSATIONS
PHELAN HAD WITH MCI ASSISTANT VICE MINISTER KIM DONG KYI THAT
THIS WOULD BE A SATISFACTORY ARRANGEMENT WITH MCI AND A
PRELIMINARY APPROACH TO KIA WILL BE MADE BY MCI FOR PHELAN.
ASST. MINISTER KIM ALSO SAID HE WOULD MAKE AVAILABLE TO SHINJIN
JEEP A KIA FOUR CYLINDER ENGINE FOR TESTING PURPOSES.

3. PHELAN SAID HE BELIEVED THAT NEGOTIATIONS TO CONTINUE ITS
JOINT VENTURE IN KOREA MIGHT DRAG ON FOR A PERIOD OF MONTHS.
WHILE AMERICAN MOTORS WOULD STILL PREFER TO REMAIN IN SHINJIN
JEEP, WITH A NEW PARTNER, IT REALIZES THERE IS NO HOPE OF
OBTAINING DEFENSE INDUSTRY STATUS AND IT WOULD PROBABLY LOSE
THE ESSENTIAL MILITARY MARKET IN THE LONG RUN, AND THUS ITS
PROFITABILITY.

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4. PHELAN SAID VAN MERKENSTEIJN IS PLANNING ANOTHER TRIP TO KOREA ON SEPT. 14 AND HOPE NEGOTIATIONS WILL HAVE PROGRESSED FAR ENOUGH SO THAT A HIGHER AMC OFFICIAL COULD ACCOMPANY VAN MERKENSTEIJN.

5. FYI: THE EMBASSY HAS FOUND IT IMPOSSIBLE TO PERSUADE VAN MERKENSTEIJN THAT THERE WAS NO HOPE OF SHINJIN JEEP BEING DESIGNATED A DEFENSE INDUSTRY EVEN THOUGH PHELAN HAS BEEN CONVINCED OF THIS SINCE NOVEMBER, 1975. THE FLAVOR OF VAN MERKENSTEIJN'S PREVIOUS VISITS TO KOREA IS PROBABLY BEST EXPRESSED IN EMBASSY MEMCONS DATED JUNE 15 AND 16. THERE IS EVIDENTLY SOME LACK OF COMMUNICATION BETWEEN VAN MERKENSTEIJN AND PHELAN WITH PHELAN UNDERSTANDING THE SITUATION VERY WELL BUT NOT BEING ABLE TO CONVINCE VAN MERKENSTEIJN OF THE REALITIES OF THE SITUATION IN KOREA. IT IS THE EMBASSY'S OPINION THAT THE SOLUTION PROPOSED ABOVE WOULD PROBABLY BE TO THE ADVANTAGE OF ALL CONCERNED. WE UNDERSTAND PHELAN DID NOT TALK TO VAN MERKENSTEIJN ON HOME LEAVE SO WE ARE NOT CERTAIN VAN MERKENSTEIJN IS AWARE OR ACCEPTS THE PROPOSED SOLUTION. END
FYI.
STERN

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